

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8752

INFO AMEMBASSY BONN

AMEMBASSY LONDON

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C O N F I D E N T I A L PARIS 10306

E.O. 11652: GDS

TAGS: EFIN, FR

SUBJECT: TRUST FUND, THIRD WINDOW

REF: A. PARIS 8553; B. STATE 279301, DEC. 20, 1974

1. DURING COURSE OF LUNCHEON YESTERDAY, EMBOFF HAD OCCASION TO PURSUE QUESTIONS OF TRUST FUND AND "THIRD WINDOW" WITH BAQUIAST, OFFICE DIRECTOR FOR INTERNATIONAL MONETARY ORGANIZATIONS IN FRENCH TREASURY.

2. THIRD WINDOW. BAQUIAST BEGAN BY NOTING THAT HE HAD HEARD THAT U.S. WOULD NOT ATTEND APRIL 30 MEETING ON THIRD WINDOW. WHILE HE UNDERSTOOD OUR RESERVATIONS ABOUT THIS APPROACH (AS EXPLAINED DURING EARLIER VISIT, REF. A), HE NOTED THAT FRANCE AND OTHER EUROPEANS WOULD UNDOUBTEDLY HIDE THEIR OWN DOUBTS BEHIND REFUSAL OF U.S., TAKING LINE "WE'LL SUPPORT THIRD WINDOW IF U.S. WILL". BAQUIAST ALSO NOTED THAT MINISTRY STAFF HAD NOT BEEN VERY FAVORABLE TO PROPOSAL, BUT THAT FINANCE MINISTER FOURCADE HAD SEIZED UPON IT AS
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"RELATIVELY INEXPENSIVE" WAY FOR FRANCE TO SHOW CONCERN

FOR LDC NEEDS.

3. TRUST FUND. EMBOFF THEN INQUIRED WHERE GOF NOW STOOD ON U.S. TRUST FUND PROPOSAL. BAQUIAST STATED THAT GOF WAS READY TO ACCEPT A RETURN OF ITS GOLD CONTRIBUTION FROM IMF, AND WOULD CONSIDER PROVIDING A PORTION (ONE-FOURTH OR ONE-THIRD) OF DIFFERENCE BETWEEN OFFICIAL AND FREE MARKET VALUE OF GOLD TO SOME FORM OF TRUST FUND -- PROVIDED THIS WAS RECOGNIZED AS A NATIONAL CONTRIBUTION. AS BEFORE (REFTEL A PARA 2A), HE EMPHASIZED FRENCH RESERVATIONS ABOUT BALANCE OF PAYMENTS ASSISTANCE WITHOUT CONDITIONS, REFERRING SPECIFICALLY TO OPERATIONS OF IMF OIL FACILITY BEFORE ITS RECENT TIGHTENING OF TERMS. (SUBSEQUENTLY, EMBOFF TOOK OPPORTUNITY TO RECALL TO BAQUIAST PARAS L9 THROUGH 21 OF REF. B, SETTING FORTH ELIGIBILITY CRITERIA USG WOULD EXPECT TO BE APPLIED TO TRUST FUND ASSISTANCE.)

4. COMMENT. BAQUIAST'S REMARKS WOULD CLEARLY IMPLY THAT GOF ENVISAGES A FULL RETURN OF IMF GOLD CONTRIBUTIONS, NOT JUST A SMALL PROPORTION AS PROPOSED BY U.S. GIVEN AMOUNTS INVOLVED (EVEN ONE-FOURTH OF "PROFIT" ON ENTIRE IMF GOLD STOCK WOULD BE CLOSE TO \$5 BILLION), IT WOULD ALSO APPEAR THAT GOF MAY ENVISAGE A PROGRAM OF CONSIDERABLY LONGER DURATION THAN TWO YEARS SUGGESTED BY U.S.
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